



Department of Defense **DIRECTIVE**

April 13, 1987
NUMBER 4140.57

USD (A)

SUBJECT : DoD Replenishment Parts Purchase or Borrow Program

References: (a) Public Law 98-525, "Defense Procurement Reform Act of 1984, " October 19, 1984
(b) Defense Acquisition Regulation Supplement Number 6
(c) DoD Directive 5230.25, "Withholding of Unclassified Technical Data From Public Disclosure , " November 6, 1984
(d) DoD Directive 4245.8, "DoD Value Engineering Program, " May 7, 1984
(e) through (g) , see enclosure 1

A. PURPOSE

This Directive implements Section 1216(a) of reference (a), as codified at Title 10, U. S.C. 2320(d) , by establishing the DoD Replenishment Parts Purchase or Borrow Program to provide domestic business concerns an opportunity to purchase or borrow replenishment parts from the Government for:

1. Design replication or modification.
2. Subsequent submission of offers to sell items of supply replenishment parts to the Government.
3. Enhancing competition and lowering costs by developing and locating alternative sources of supply and manufacturing.

B. APPLICABILITY

This Directive applies to the Office of the Secretary of Defense (OSD) , the Military Departments, and the Defense Logistics Agency (DLA) (hereafter referred to collectively as "DoD Components").

C. DEFINITIONS

The terms used in this. Directive are defined in enclosure 2.

D. POLICY

It is DoD policy to lower costs through competition and product simplification. Therefore, sample parts shall be made available to domestic business concerns when it is determined that such action is in the best interest of the Government. That determination shall include consideration for national security requirements, inventory needs, the probability of future purchases of parts, and any additional restrictions required by law.

1. Sample parts determination criteria follow:

a. The item managing activity may approve requests from potential suppliers to view or obtain sample parts on a bailment or purchase basis that meet all of the following criteria:

(1) The part has limited or reduced sources of supply due to the unavailability of the Technical Data Package (TDP), an incomplete TDP, or a TDP that contains limited rights data. Parts with TDPs containing partial data with limited rights may be used in the program if the Government does not release the limited rights data to potential suppliers.

(2) The annual buy value of the part exceeds \$10,000, as defined in Defense Acquisition Regulation Supplement Number 6 (reference (b)). The DoD Components may lower the dollar value to accommodate their program(s).

(3) Bailment or sale of the part shall not adversely affect or deplete required supply quantities.

(4) Potential life cycle cost savings exceed the cost (including evaluating and testing) of making the part available. The economic evaluation phase of reference (b) should be used to determine cost savings when feasible.

(5) Engineering critical or unstable parts, as defined in enclosure 2, shall be made available upon approval by the DoD Component that has technical cognizance of the part.

(6) A part whose TDP, once developed, would not disclose critical technology with military or space applications. This determination shall be made in accordance with the provisions of DoD Directive 5230.25 (reference (c)).

b. Before the bailment or sale of a part for the purpose of modification, DoD Components shall consider the following:

(1) If the proposed modification will improve performance, reliability, maintainability, interchangeability, product quality, safety, productivity, or decrease life cycle costs.

(2) The probability of future purchases of the proposed improved part.

(3) If the proposed modification is, or should be, considered under the existing DoD Value Engineering Program under DoD Directive 4245.8 (reference (d)), or other in-house product improvement, or preplanned product-improvement program.

2. No domestic business concern shall be denied the opportunity to participate in the DoD Replenishment Parts Purchase or Borrow (DoD RPPOB) program if the DoD policy and procedures of this Directive are met. The availability of sample parts shall be limited to quantities adequate to meet the program's objectives. Controls shall be established in DoD Components to prevent exploitative ordering of sample parts and later depletion of DoD supply system stocks.

a. Alternate sources of supply may be developed through this program when appropriate under the Federal Acquisition Regulation, Subpart 6.202 (reference (e)) and DoD Directive 4245.9 (reference (f)).

b. The DoD Components need not delay ongoing or planned purchase actions of spare parts only to allow potential suppliers to participate in the program.

c. Government inspection of parts for compliance to performance criteria, based on existing technical data, shall be conducted, when appropriate, before the bailment or sale of parts to potential suppliers.

E. RESPONSIBILITIES

1. The Assistant Secretary of Defense (Acquisition and Logistics) (ASD (A&L)) shall exercise authority for direction and management of the DoD RPPOB program.

2. The Assistant Secretary of Defense (Comptroller) (ASD(C)) shall establish pricing policies and procedures to facilitate the uniform implementation of this Directive.

3. The Deputy Assistant Secretary of Defense (Production Support) (DASD(PS)) shall exercise overall administrative control of the DoD RPPOB program through the ASD(A&L) Standardization and Data Management (SDM) Office. That control includes the establishment and maintenance of DoD implementing regulations.

4. The Secretaries of the Military Departments and the Director of the Defense Logistics Agency (DLA) shall ensure that their respective activities comply with the provisions of the DoD RPPOB program to include:

a. Implementation of a DoD RPPOB program consistent with the requirements of this Directive.

b. The designation of a Central Command Office that shall communicate policy, monitor efforts and achievements, and provide surveillance over implementation of this Directive. Each Military Department and Agency is encouraged to establish its focal point within the Competition Advocacy or ensure close coordination with same.

F. PROCEDURES

1. There are three methods that may be used to make parts available to the potential suppliers. Methods that may be utilized are as follows:

a. Direct purchase of the part by the potential supplier. This is the preferred method as it minimizes the management and administrative impact to the Government- Pricing policies for this method shall be in accordance with Chapter 26 (reimbursements) of the Department of Defense Accounting Manual (reference (g)).

b. Bailment of the part to the potential supplier. A bailment agreement shall be prepared with the provisions agreed upon by both parties. Bailed parts shall not be subjected to destruction or irreversible disassembly. Bailed

parts shall not be loaned to potential suppliers unless such parts can be reinspected and validated by the Government. Bailments shall be assessed costs in accordance with Chapter 26 (reimbursements) of DoD 7220.9-M (reference (g)).

c. Inspecting the part. Potential suppliers may inspect parts for the purpose of familiarization in Government-designated display areas. The parts displayed shall be those determined by the Government.

2. Requests from potential suppliers to purchase or borrow parts shall be in writing and shall:

a. Be from domestic business concerns as defined in enclosure 2.

b. State that the intent of purchasing or borrowing the part is for replication and/or modification and subsequent offer of sale of item of supply replenishment parts to the Government.

c. Specify duration of time a borrowed part is required.

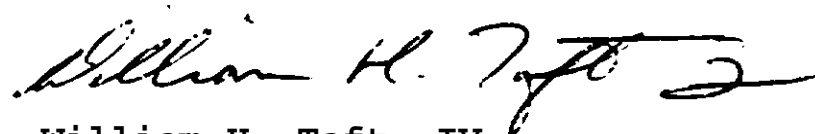
d. Cite the National Stock Number (NSN) of the desired part.

e. Specify the improvement to be offered by a proposed modification.

3. Agreements with domestic U.S. contractors shall clearly indicate that materiel or information received under the DoD replenishment program is intended solely for the purpose of meeting U.S. Government requirements. Retransfer of the parts or technical data to other parties or firms within the United States or to foreign firms or governments is not authorized. Agreements shall require prior approval of the contracting officer before the sale of any item produced from parts or data received under this program to a non-U.S. Government entity.

G. EFFECTIVE DATE AND IMPLEMENTATION

This Directive is effective immediately. Each of the Services and the Defense Logistics Agency shall forward one copy of implementing documents to the Assistant Secretary of Defense (Acquisition and Logistics) within 120 days.



William H. Taft, IV
Deputy Secretary of Defense

Enclosures - 2

1. References
2. Definitions

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REFERENCES (continued)

- (e) Federal Acquisition Regulation
- (f) DoD Directive 4245.9, "Competitive Acquisitions," August 17, 1984
- (g) DoD 7220.9-M, "Department of Defense Accounting Manual," October 1983,
authorized by DoD Instruction 7220.9, October 22, 1981

DEFINITIONS

1. Bailment. The process whereby a part is provided to a recipient with the agreement that the part will be returned at an appointed time.
2. Domestic Business Concern. A business concern having its principal place of business in the United States or its territories and possessions.
3. Engineering Critical Part. A part so crucial that independent malfunction or failure could be catastrophic and result in personal injury or loss of life, jeopardize a military mission, or loss of a military weapon system or equipment. Engineering critical parts require special documentation, controls, and testing beyond normal requirements.
4. Item of Production. Those pieces or objects grouped within a manufacturer's identifying number and conforming to the same engineering drawings, specifications, and inspection.
5. Item of Supply. A single item of production, or two or more items of production that are functionally interchangeable or that may be substituted for the same purpose and that are comparable in terms of use.
6. Modification. A Government-approved change in the configuration of a part or item that offers a significant benefit to the Government by correcting deficiencies, satisfying a change in operational or logistic support requirements, or effecting a substantial life cycle cost savings.
7. Replenishment Part. A repairable or consumable part, required to resupply initial stockage or increased stockage for reasons other than support of newly fielded end items. Subassemblies, components, and subsystems are included.
8. Sample. An item of production owned by a DoD Service/Agency that meets the item of supply concept for a specified replenishment part.
9. Technical Data Package (TDP). A technical description of an item adequate for acquisition and engineering support. The description defines the required design-configuration and ensures adequacy of item performance. A TDP consists of all applicable technical data such as plans, drawings, and associated lists, specifications, standards, models, performance requirements, quality assurance provisions, and packaging data.
10. Unstable Part. The design of a part is considered to be unstable if its engineering, manufacturing, or performance characteristics (or those of the component for which it is a part) indicate that the required design objectives have not been achieved; and major changes are contemplated to "input-output" or "form-fit-function" characteristics; and, these changes would render the part obsolete and unusable in the present configuration.